

Housing in Ireland:
Performance and Policy
Background Analysis

The supply of housing in Ireland

4.1 Introduction

The following sections consider the quantity of housing supplied, the characteristics of the changing output, and a consideration of the availability of inputs determining this supply. The relationship between fiscal policy and housing supply is also examined over the period 1973 to 2003.

The supply of non-market housing through the various social and affordable housing programmes now in place is considered in separate detail in Background Paper 6.

4.2 The Quantity of Housing

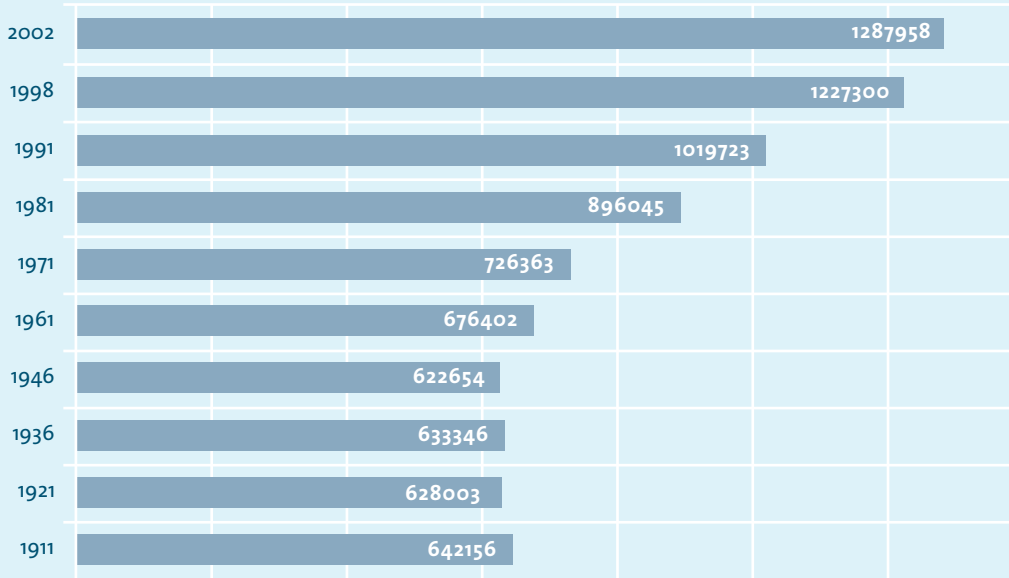
Housing supply comprises both existing and new additions to the stock. The supply of housing reflects factors such as government policy, economic performance, levels of capital investment and individual demand. The durable nature of the housing stock means that the housing stock at any point in time is not solely a reflection of current policies and priorities but is influenced by policies and priorities in previous periods.

4.2.1 Developments in the Stock of Housing

Increased Quantity

The level of housing in Ireland has increased steadily since the beginning of the last century, with a particular boost in the past few decades (see Figure 4.1 below). This has had a number of positive effects. Positive outcomes associated with an increased supply of housing include the reduction in average household size, and hence a reduction in overcrowding, greater choice, and also a significant economic impact due to higher levels of employment in the construction and other related industries.

Figure 4.1 Total number of household units 1911–2002



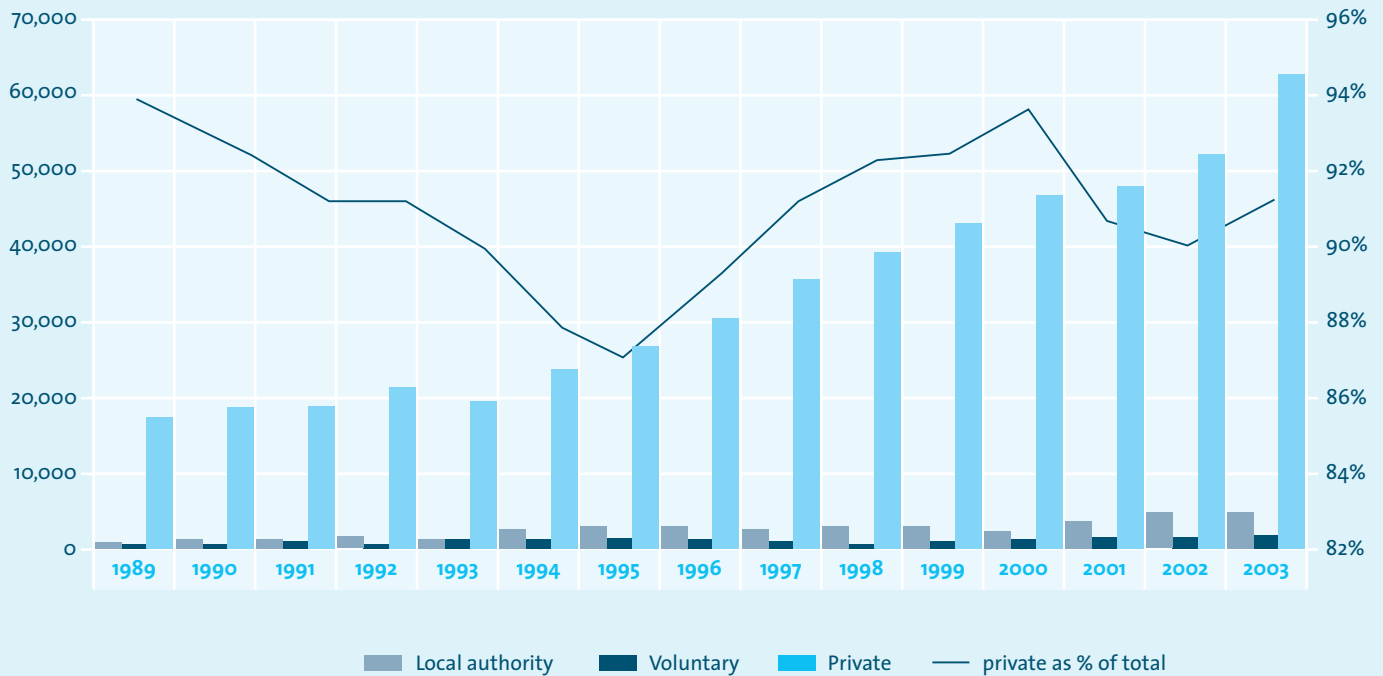
Source CSO (1996, 2000) and Minister for Local Government (1964) via Norris & Winston (2004); CSO (2003)

The figures above show a total increase in the number of housing units (households) of 77 per cent since 1971, the decade in which growth in housing really began to escalate. One of the immediate impacts of this increase is the reduction in average household size – which in 2002 had fallen to 2.9 persons per household, compared with a rate of 3.9 in 1974. However, Ireland is still some way short of the European average of 2.48 persons per household.¹

Figure 4.2 below illustrates the level of dwelling completions since 1989 – broken down by private and non-private provision – with three and a half times as many private houses being built in 2003 as in 1989. Recent additions to the local authority stock have also been greater, following over a decade of marginal additional contribution and a sustained sell-off of local authority property at the end of the 1980s. It is also interesting to note the proportionate share of total output arising from market supply over the period after a gradual drop over the early nineties (accounted for by an incremental increase in social housing provision), this share increased for the rest of the decade as the surge in private housing supply took off. Changes in local authority stock are discussed further in Background Paper 6.

¹ The EU average is 450 dwellings per thousand population with the implication being that average household size will reach 2.25. The difference between the number of households and the total housing stock is comprised of obsolescent, vacant and second dwellings. As was noted in the section in demand this implies 398 dwellings in the stock per 1,000 inhabitants.

Figure 4.2 Dwelling completions by sector – 1989-2003



Source: *Housing Statistics Bulletins, various*

Note: *Local authority output does not include second-hand houses acquired by local authorities but does include newly-constructed units acquired under Part V*

This increase in the level of construction is unprecedented in an historical context and is also exceptional when compared to other European countries. This is the case when new construction is expressed as a percentage addition to the current stock of dwellings and it is also extremely high when the number of new dwellings is assessed relative to the size of the population. The number of dwellings constructed per 1,000 population in Ireland will have exceeded 14 in 2003 comparable in recent European experience only with the number constructed in Greece in the early 1980s.

The traditionally low level of the housing stock, and consequently higher than average household size, helps explain the continued pressure for more housing units in Ireland, and the significant development pressure surrounding our major urban areas. The evolution of average household size was shown in the section above on demand for housing.

4.2.2 Housing Construction and Housing Supply

An important question is the degree to which this increased construction of new dwellings translated into increased numbers of households?² In NESc's 1988 report on housing policy John Blackwell considered 'obsolescence' in the housing stock by looking at the change in the number of private permanent households as compared with the number of additional new dwellings constructed over various time periods.

Accurate data on the number of private households is collected only at the time of the census so the periods considered are by necessity inter-censal periods³. As Blackwell points out, the term 'obsolescence' encompasses not only demolition and clearance of dwellings but in addition vacant stock, including that abandoned, the conversion of two or more units into one, change of use from residential purposes and the conversion of units into second homes.

Although Blackwell did not discuss it, his measure of 'obsolescence' will also pick up the construction of new second homes, which are not generally in occupation, and replacement dwellings whereby a new dwelling is constructed in place of an existing one but no new household is formed. Thus the term obsolescence, implying solely the dereliction and demolition of dwellings does not apply in its strictest sense. The changes in the housing stock and number of households, and thus the excess dwellings constructed over and above the number of new households formed is set out in Table 4.1 below.

Table 4.1 Changes in the Housing Stock and Number of Households

	No. of Permanent Households	Housing Completions in Intervening Period	Difference between new completions and new households
1971	726,363	246,591	76,900
1981	896,054	129,865	61,037
1986	964,882	92,728	28,526
1991	1,029,084	405,561	146,687
2002	1,287,958		

Notes The data are calculated for inter-censal periods eg. April 1991 – March 2002. The data for 1991 – 2002 use data for q1 2002 but assume even distribution of construction for 1991 as quarterly data are not currently available.

Sources Census of Population various years; Department of Environment Housing Statistics Bulletin (various issues)

2. A household is a permanent private household occupying one dwelling, be that house or flat/ apartment and be it a dwelling occupied by a single family unit or by more than one family or in multiple occupation by those who are not related (HMO).

3. Data on the number of households is also estimated by the Central Statistics Office using the Quarterly national Household Survey although in interpolating the results from the censuses significant variation can be found.

This shows a reversal of a trend noted by Blackwell, whereby the number of housing units not giving rise to a new private household had been increasing in percentage terms. The annual percentage of the stock rendered obsolete or vacant was 1.3 per cent between 1981 and 1986, fell back to 0.57 per cent from 1986 to 1991 before climbing back to 1.15 per cent between 1991 and 2002. However, this masks the significant increase in absolute terms, given the increase in the overall housing stock. These figures imply an average of 13,335 additional dwellings rendered obsolete or vacant each year between 1991 and 2002 or 103,800 between 1996 and 2002. This is equivalent to over 36 per cent of the construction of new dwellings over the past 11 years contributing in no way to the housing of additional households. The effect may have been even more dramatic in recent years. AIB estimate that obsolescent, vacant and second dwellings totalled on average 17,300 per annum between 1996 and 2002 and were running just below 20,000 per annum towards the end of the period (AIB, 2004). Turning to the Quarterly National Household Survey Davy recently noted that the CSO estimated an increase in households between 1998 and 2003 of 134,000 but that 267,000 dwellings were built during the same period implying that some 50 per cent of new dwellings constructed did not result in the formation of a new household (Davy, 2004).

As can be seen from Table 2.1 the discrepancy between the number of houses constructed and the number of new households formed has been significant throughout the past 30 years and peaked as a percentage of the level of new construction in the early 1980s. However, in absolute terms the numbers are now far greater than was previously the case. Although we cannot be certain, the nature and composition of the gap between new construction and new households is likely to have altered. The building of additional second dwellings has probably become more significant and the rendering obsolete existing buildings less significant. This is as a result of both tax incentives to encourage seaside resort development and of rising economic prosperity. However, it is also the case that while the numbers of houses which do not give rise to the formation of permanent households may be high on the Atlantic seaboard, where one would expect significant holiday home concentration, it is also significant across the entire country.

It is important to ask ourselves the question as to whether we are interested in the total supply of dwellings or solely in the supply of dwellings that are likely to be translated into primary residences. Obviously the demand for dwellings, and the degree to which it is satisfied may in some cases be measured by total dwellings constructed – for example income growth which will increase the demand for second dwellings as well as primary homes – whereas in other cases a measurement of the number of new households created may be more appropriate for example where demographic pressures for increased household formation are concerned.

This section has provided details on the total quantity response in housing resulting from increased levels of demand. An understanding of the duration and scale of this response, and its resultant impact on the built environment is important to appreciate the current position of the housing market in Ireland.

As we have noted above such an increase in quantity was almost inevitable given an historic legacy of low levels of housing stock, demographic changes among the household formation cohorts combined with increased prosperity and high levels of in-migration as a result of strong and sustained economic growth. However, a surprising and often un-noticed fact is the degree to which a substantial proportion of this new construction fails to translate itself into new households. The next section examines some of the attributes of this increased quantity of housing stock.

4.3 Characteristics of changing Housing Output

This section examines the characteristics of the current housing flow and looks at differentiation on a regional basis, the type of dwellings being constructed, tenure of the occupiers and the density of settlement pattern.

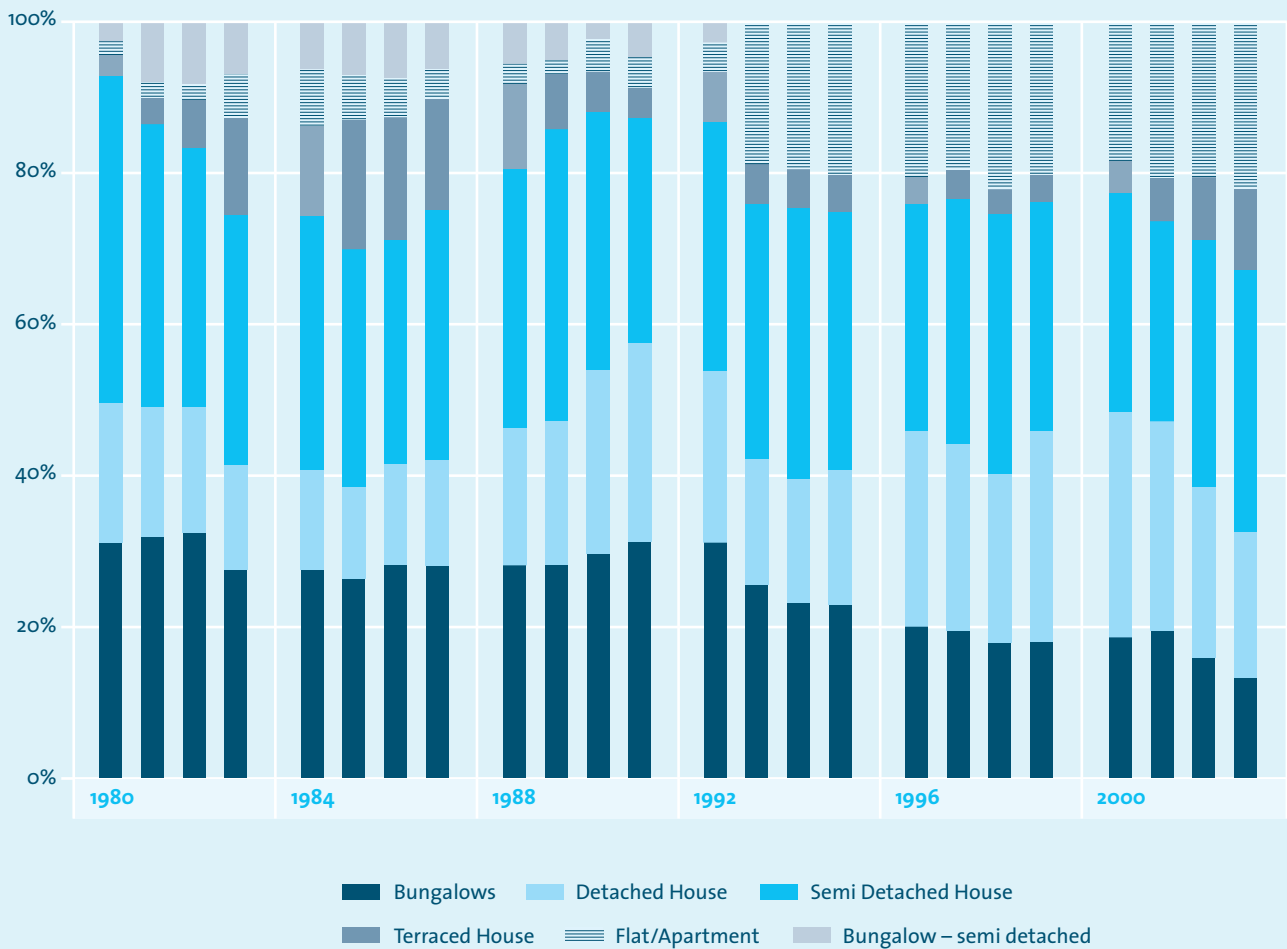
4.3.1 Type of dwelling constructed

One of the notable changes as a result of the increased stock of housing is a change in the type of new dwellings being constructed. Increased price pressures, smaller average household size and a reduction in the available supply of land have led in part to an increased density of construction. The figure below shows the net flows into the housing stock and shows a significant increase in the number of new apartments constructed post 1992 and a corresponding ongoing reduction in the number of bungalows and detached dwellings. Bungalows and detached dwellings represented half of all construction in 1981 but by 2002 they accounted for less than a third. Semi-detached houses are still the most popular comprising almost 1 in 3 units built. There has been a dramatic increase in the number of terraced houses constructed, but these still comprise less than 10 per cent of all new build.

Again these aggregate figures mask regional disparity; in 2003 43.5 per cent of all units constructed in Co. Dublin were apartments, 73.7 per cent in the area of Dublin City Council. In excess of 42 per cent of all apartments constructed were within the GDA—this is down substantially from 57 per cent in 2002—and 33.7 per cent were within the five city council areas—again down from 38.8 per cent the previous year suggesting a wider spread of apartments than heretofore⁴. When one examines terraced houses one discovers that 41.6 per cent were built in Co. Dublin. Private single houses (as opposed to those constructed by developers) continue to be the dominant form of housing unit, (see Figure 4.3 below) although again there is considerable regional variation.

4. The five city councils being Dublin, Cork, Limerick, Galway and Waterford.

Figure 4.3 Composition of New Housing Stock, Type of Dwelling



4.3.2 Housing and settlement patterns

The first Bacon report on the Housing market (Bacon *et al.*, 1998) noted the propensity towards low density housing by international standards. A substantial element of density policy in the past emphasized the reduction in overcrowding and slum clearance. More recently policies have been put in place to encourage higher density, but building upon the existing legacy of low density suburbia. Low densities have brought with them high levels of car dependence. Williams and Shiels (2002) identify a leapfrogging effect whereby residential development around Dublin has increasingly moved from the traditional residential suburbs to locations involving longer distance commuting such as Mullingar, Drogheda and Gorey (Williams and Shiels, 2002). This is also associated with an increase in the suburbanisation of office and industrial development and the emergence of an “edge city” (Garreau, 1991).

This is partly associated with insufficient supply in more traditional suburbs closer to the city centre. The density of settlement in Fingal and Dun Laoighaire/Rathdown were increased to match that in South Dublin then as a result almost 12,000 additional units would be realised (Bacon *et al.*, 1998). In addition individuals seek to trade-off land costs, transportation costs and their desire for space. This spreading out of the city is part of a natural phenomena that occurs over time as transportation costs reduce relative to the cost of land and therefore in order to continue to consume adequate space individuals choose to live further and further from the city and their place of work. The development of urban densities in and around Dublin which shows this pattern is given below.

Table 4.2 Urban Population Density (persons per hectare of 'built up' land) in the Dublin region 1936-1991

Distance from Centre (km)	1936	1971	1986	1991
0-7	109	66	47	46
8-15	38	29	41	44
16-23	47	29	49	55
24-31	29	25	42	45
Total	87	51	46	46

Source Horner (1999)

The table shows a steady decrease in density in the inner city and a corresponding rise in suburban areas and beyond. This trend is only slowly starting to reverse with an influx of people back into the city centre, a trend which is not yet reflected in more mature suburbs. Almost without fail these mature suburbs of Dublin witnessed absolute decline in population in the last inter-censal period, and have populations today below that in the 1970s despite having risen during the 1980s. This is even given the substantial pressure for houses in the Dublin area and subsequent infilling in many of these areas. This most probably reflects family life cycle patterns with many more mature couples tending to reside in these localities and reflects the compositional development of the Dublin suburbs in times past. This effect, and family life cycle effects in general have important implications for the ongoing not only for efficient use of the housing stock but also for the efficient and effective provision of public services.

Single Dwellings

A further aspect of settlement patterns is the number of single dwellings – that is those which are not part of a housing development. The table below gives the number of scheme and non-scheme dwellings connected to the system in 2002 by region. It can be seen that 18,539, or 32 per cent of all dwellings were non-scheme. This varies from 7 per cent in Dublin South and Central to 60 per cent of dwellings in the Midlands and West.

Table 4.3 Number of Scheme and Non-Scheme Dwellings constructed in 2002

Region	Dublin North/ Dundalk	Dublin Central/ South	Mid West	North West	South West	South East	Midland & West	National
Housing Scheme	9,942	6,564	3,631	4,475	3,339	5,927	2,351	39,229
Housing Non-Scheme	1,138	519	3,018	4,060	2,863	3,343	3,598	18,539
Per cent of Non-Scheme Housing	10.3 %	7.3 %	45.4 %	47.6%	46.2%	36.1%	60.0%	32.1%

Source: Data provided to NESC by ESB

Additional data is provided by the Annual Housing Statistics Bulletin on the characteristics of development in 2003. In 2003, the percentage of non-scheme houses fell to just over one quarter, houses in developments made up 52.7 per cent of new construction and apartment complexes comprised 21.7 per cent of all new development.

4.3.3 Sustainability of Housing Development

A corollary of increased spread of our urban centres is that people now live further from their work than before with a resulting increase in commuting times and an increase in car dependency among the population as the low density suburbia and one-off developments are not sufficiently clustered to be able to justify the provision of an effective and viable public transport network. In addition, increased affluence has led to greater car ownership, and car usage, and has reduced the numbers of persons walking to school or to work with associated changes in the health status of both young people and those of working age. The tables below show the evolution over time of the means of transportation to and from the workplace and the associated distance traveled. The number walking or cycling to work has fallen from 17.5 per cent in 1981 to 13.5 per cent in 2002 and in 2002 less than 9 per cent used public transport (bus and train) in order to travel to and from the workplace.

Table 4.4 Means of Travel to Work

	1981	1986	1991	1996	2002
On Foot	151,952	136,000	126,158	148,376	183,848
Bicycle	46,994	60,750	50,257	46,432	34,250
Bus	109,988	93,336	87,377	98,289	107,315
Train	14,374	16,096	19,834	22,568	33,066
Motor Cycle	17,633	15,614	12,713	12,164	17,329
Motor car					
Driver	407,347	402,878	442,293	599,282	887,168
Passenger	91,299	89,831	90,999	112,432	108,382
Other Means	24,130	33,354	45,903	55,158	115,168
Work from Home	220,833	186,856	225,236	158,749	97,567
Not Stated	45,794	48,932	36,687	40,560	26,788
Total	1,130,344	1,083,647	1,137,457	1,294,010	1,610,881

Source CSO – Census 2002

This change in transportation modes has been associated with an increase in the distances people are now traveling from the home to the workplace. The percentage of persons commuting 10 miles or more to work has more than doubled from 13.7 per cent in 1981 to 28.5 per cent in 2002. The number commuting more than 15 miles has almost quadrupled in absolute terms from 76,000 in 1981 to 282,000 in 2002.

Table 4.5 Distance Travelled to Work

	1981	1986	1991	1996	2002
0 Miles	167,617	210,813	197,650	142,343	73,094
1 Mile	162,340	154,908	154,647	181,075	213,685
2 Miles	104,729	98,400	101,390	119,497	146,216
3 Miles	89,471	85,734	88,560	104,792	123,795
4 Miles	66,114	63,574	63,416	74,647	87,761
5 to 9 Miles	188,667	188,059	197,192	239,447	302,105
10 to 14 Miles	78,489	79,420	87,473	118,390	176,499
15 Miles and Over	76,049	76,205	93,227	141,678	282,026
Not Stated	196,868	126,534	153,902	172,141	205,700
Total	1,130,344	1,083,647	1,137,457	1,294,010	1,610,881

Source CSO – Census 2002

A further subset travel in excess of 30 miles and over to work. Of these the greatest number are in Cos. Meath and Laois where they represent in excess of 15 per cent of persons at work. Other counties within the Dublin commuter belt also have in excess of 10 per cent of people at work commuting over 30 miles—namely Carlow, Louth, Offaly, Westmeath and Wicklow. Over 5,000 people who live in Dublin city and county commute over 30 miles each day—so called reverse commuters who prefer to enjoy the benefits of city living even though it may not necessarily be convenient to their place of work.⁵ However, the level of long distance commuting—in excess of 30 miles from the workplace—is currently running at 5.7 per cent of the workforce which might be somewhat lower than might first be anticipated given its rise in prominence, at least in media circles, in recent years.

One of the other major concerns associated with recent housing developments is its impact on neighbourhood, family formation patterns, work life balance and long-term sustainability as a result of increased commuting in both time and distance. Recent data released by the CSO cast some doubt over the extent of some of these fears. The CSO carried out a special module of its Quarterly National Household Survey on housing and households in the third quarter of 2003, the first such survey since 1998. In addition with the new survey the CSO sought for the first time to identify characteristics peculiar to new entrants to the housing market – in this case those who were First Time Buyers and who had purchased since 1996. This enables us to examine whether those who have recently purchased accommodation face higher costs, greater problems of affordability or a lower quality environment than those in the average housing stock.

5. Of course, it could be convenient to the place of work of one or more persons within the household.

The survey assessed the perceived suitability of first time buyers' housing in meeting their needs in terms of suitability in being close to work, family and friends and in terms of neighbourhood, schools, shops and childcare. The results are presented in the table below.

Table 4.6 Suitability of Dwellings for First time owner occupiers since 1996 (,000s)

	Family and Friends	Closeness to Work	Neighbourhood, schools, shops, childcare
Very Suitable	58.0	51.6	59.1
Suitable	55.1	52.0	52.6
Unsuitable	4.3	9.1	5.5
Very Unsuitable	1.3	2.3	1.3
Not Stated	-	3.7	-

Source: CSO – Quarterly National Household Survey

The results of this survey, combined with the results from the travel to work module of the census would seem to put into context the extent of the problems of non-suitability and non-sustainability of housing faced by some households.

4.3.4 Non-market Supply

The treatment of the provision of local authority, voluntary and co-operative housing in the story of supply merits a specific mention. Combined output from this sector has increased, albeit at a slower and less consistent rate than overall quantity of the housing stock. This was shown in figure 4.1. Annual additions to the local authority housing stock through construction and acquisitions increased to over 4,972 units in 2003 although the recent increase in local authority completions is still below that achieved between 1979 and 1986, when more than 5,000 units were built every year for seven years in a row.

The level of output from voluntary housing associations and housing provided by co-operatives has seen a significant increase in recent years. Combined they provided over 1,600 units in 2003 from the lowest level of 485 units in 1998, and now consists of a managed stock of over 16,000 dwellings. Nearly one in four completions of non-market publicly assisted housing in 2003 was accounted for by voluntary housing associations and co-operatives.

It can be seen therefore that local authority, co-operative and voluntary housing construction has increased under the provisions of the NDP for 2000-2006. They are therefore an important component of overall housing supply. Further consideration of the impact of supply in the non-market sector on corresponding demand is contained in Background Paper 6.

4.4 Regional Supply Issues

4.4.1 Regional Supply of Second Homes

We noted above the large number of housing units which do not result in the formation of a new household. This section examines this on a regional basis. We know that these are not all second or holiday homes but include depreciated stock, and vacancies. The number of vacant dwellings, or those demolished and replaced, is likely to be particularly high in urban areas and particularly those undergoing transformation such as urban renewal. However, to the extent that a higher percentage of such units can be found along the Atlantic seaboard then this would point to the likelihood of an increased prevalence of second homes. The regional breakdown of the recent change in the number of such dwellings is presented in the table below.

Table 4.7 The Regional Distribution of Dwellings not giving rise to a new permanent household between 1996 and 2002

	Obsolescent Dwellings	as % of total
Leinster		
Carlow	1,239	32.2
Dublin Borough/City	11,167	57.0
Dun Laoghaire-Rathdown	2,559	49.0
Fingal	6,018	31.2
South Dublin	862	6.8
Kildare	2,167	15.8
Kilkenny	996	22.9
Laois	863	22.8
Longford	1,137	53.2
Louth	3,109	36.7
Meath	353	3.5
Offaly	1,123	29.5
Westmeath	2,761	39.6
Wexford	4,055	38.0
Wicklow	2,904	34.8
Sub-Total	41,313	31.0
Munster		
Clare	3,499	42.4
Cork Borough/City	4,753	76.6
Cork	6,041	26.6
Kerry	4,738	52.2

contd. overleaf

<i>Munster contd.</i>	Obsolescent Dwellings	as % of total
Limerick Borough/City	4,312	68.6
Limerick	-124	-2.6
Tipperary N.R.	2,768	52.6
Tipperary S.R.	65	2.1
Waterford Borough/City	919	34.8
Waterford	1,956	43.2
Sub-Total	28,927	39.7
Connaught		
Galway Borough/City	2,838	42.2
Galway	4,368	39.9
Leitrim	1,817	70.3
Mayo	5,002	50.6
Roscommon	561	25.0
Sligo	2,393	53.4
Sub-Total	16,979	46.1
Ulster (part of..)		
Cavan	1,433	40.9
Donegal	7,076	56.2
Monaghan	994	39.5
Sub-Total	9,503	51.0
Totals	96,722	36.7
Western Seaboard	37,772	43.3
Western/Total %		39.1

Source: Census (1996 and 2002): Provided to NESG by ESRI.

While many homes have been built along the Western seaboard as holiday homes, often incentivised by the exchequer through the application of Seaside Resort relief, the increasing phenomena of second or holiday homes cannot explain the large number of dwellings constructed but for which no permanent household was formed in many parts of the country. In addition these numbers only represent the change in the number of such dwellings (based upon ESB connections data) and do not take into account the potential stock of such dwellings in each locality. The stock of dwellings which do not have a permanent private household associated with them may be approaching 300,000.⁶

4.4.2 The Availability of Serviced Land

The most recent information on the availability of serviced land is presented in Table 4.6 below. Serviced land refers to land having the necessary services of water, sewerage and transport services. It does not include availability of social services (schools, recreational facilities or necessarily adequate public transport). It may therefore not be suitable for the granting of planning permission at the sustainable density which current planning policy envisages. The national supply of serviced land in June 2003 was almost 13,000 hectares and at a density of 28.8 houses per hectare, this was estimated to provide potential output of almost 369,000 houses. This represented over five times and a half times the 2003 output, which was itself remarkably high at close to 69,000 units.

6. This number is based upon the total stock of ESB domestic connections minus the total number of permanent private households.

Table 4.8 Supply of Serviced Land – June 2003

	Hectares	Estimated No. Units	Density/ha.	Units (2003)	Implied Landbank (yrs.)
Carlow	180	3629	20.16	897	4.05
Cavan	371	8979	24.2	1154	7.78
Clare	924	16056	17.38	1679	9.56
Cork	1253	28774	22.96	6325	4.55
Cork City	223	6354	28.49	1053	6.03
Donegal	94	1680	17.87	3120	0.54
D/Laoghaire	225	12191	54.18	1871	6.52
Fingal	1487	44590	29.99	7019	6.35
South Dublin	724	37246	51.44	2134	17.45
Dublin City	119	24160	203.03	3370	7.17
Dublin Total	2555	118187	46.26	14394	8.21
GDA Total	3522	139097	39.49	22852	6.09
Galway	233	6280	26.95	3170	1.98
Galway City	265	10342	39.03	2305	4.49
Kerry	598	15056	25.18	2667	5.65
Kildare	543	11209	20.64	2971	3.77
Kilkenny	722	17318	23.99	1183	14.64
Laois	334	8300	24.85	1031	8.05
Leitrim	75	1506	20.08	708	2.13
Limerick	441	13515	30.65	1835	7.37
Limerick City	22	447	20.32	1150	0.39
Longford	67	1671	24.94	659	2.54
Louth	525	17452	33.24	2288	7.63
Mayo	223	5045	22.62	2022	2.5
Meath	168	3360	20	3687	0.91
Monaghan	135	2554	18.92	660	3.87
Tipperary NR	44	882	20.05	1257	0.7
Offaly	276	6874	24.91	1308	5.26
Roscommon	79	1730	21.9	890	1.94
Sligo	90	2903	32.26	1065	2.73
Tipperary SR	537	13527	25.19	646	20.94
Waterford	92	1891	20.55	1171	1.61
Waterford City	183	4667	25.5	996	4.69
Westmeath	345	7152	20.73	1585	4.51
Wexford	966	25024	25.9	2743	9.12
Wicklow	256	6341	24.77	1800	3.52
Total	12819	368705	28.76	68819	5.36

Of course, examining the supply of serviced land in terms of the landbank based upon the historic level of construction within the local authority boundary is not without its limitations. Firstly, the implied landbank can vary significantly from year to year as the level of construction completed in the previous year varies. This can be seen in the table above comparing the zoned and serviced landbank for 2003 is assessed in terms of the numbers of years potential supply using both the 2002 and 2003 output. Under the 2002 levels of output there would be 6.39 years of prospective output while under the higher output achieved in 2003 this falls to 5.36 years. The difference is even more susceptible to change at the local authority level. For example, in Dun Laoghaire-Rathdown the implied landbank fell from over 15 years to just over 6 as a result of higher levels of output.

Secondly, it is not necessarily the case that an adequate assessment of the adequacy of the serviced landbank can be made by reference solely to historic levels of construction within an area. Historic levels of output may not be a fair reflection of the overall level of demand for housing in a particular area. This may particularly be true where levels of construction have not kept pace with population growth and historic shares of population. In the next section we shall demonstrate that this has been the case for Dublin county, and to a lesser extent the greater Dublin Area in the recent past. Instead of focusing on historic levels of build local authorities ought to assess the likely potential demand for accommodation over the medium term and beyond the six year timeframe currently envisaged for development plans and to zone sufficient suitable tracts of land to meet that demand while adhering to the principles of good planning. To some extent this has begun through the introduction in the 2000 Planning and Development Act of Housing Strategies discussed in Section 4.5. Further consideration of the objectives of planning in delivering sustainable development and the planning process is addressed in Chapter 5 of the main report.

It is worth examining the supply of land within the different Dublin authorities and this is done in more detail in the next section.

4.4.3 Supply and Demand in Dublin

When considering regional issues in housing developments in Ireland the most commonly asked question is whether the market in and around Dublin differs in some way from the development of housing nationwide. In this section we examine the degree to which quantity has responded to increased demand pressures in Dublin as opposed to the rest of the country. In Background Paper 2 above we noted that regional differentiation occurs either as a result of different prevailing economic conditions or arising from a differing response to similar economic circumstances. In Background Paper 3 we did indeed see some differential in the growth in Dublin and elsewhere. This section is more concerned with the response to these increased demand pressures. A final assessment of the regional differential will be given in the next chapter which analyses supply and demand together.

The share of completions in the Dublin area has fallen relative to the rest of the country over the last decade. The total percentage of households in the GDA was 39.4 per cent in 2002, while the additions to the stock in recent years for the GDA have represented about 1/3 of the total additions. This is illustrated in the table below.

Table 4.9 Percentage of New Units in the GDA

	New Units in the GDA	percentage of Total New Units in the GDA
1991	6,594	33.6
1992	8,771	39.0
1993	8,995	42.1
1994	10,761	40.1
1995	12,411	40.6
1996	13,668	40.5
1997	13,885	35.7
1998	14,223	33.6
1999	15,228	32.7
2000	15,558	31.2
2001	16,498	31.4
2002	20,675	35.8
2003 q1	22,852	33.2
1991 – 2003	180,119	35.6

Source: DOELG, *Housing Statistics Bulletin* (various)

Notes: Table is total house completions by area – private sector completions would tend to be a lower percentage as LA completions in the GDA exceed national average. The distribution of second homes is also likely to be less in the GDA, therefore this underestimates the regional contribution of primary dwellings.

The regional share of new housing units that have been completed within the GDA has been outpaced by the regional share of population growth – 38.8 per cent of national population growth took occurred in the GDA between 1991 and 1996 and 39.2 per cent between 1996 and 2002. Even more marked was the regional share of the growth in the key 25-34 year old household forming cohort in the GDA. The GDA accounted for 43.4 per cent of this growth between 1991 and 1996 and 44.6 per cent between 1996 and 2002. The regional growth in those aged 25+, household sustaining cohorts, however, matched almost precisely the regional share of total population growth.

That total housing completions as a percentage of national completions has fallen in the Greater Dublin Area, at a time when the population of the GDA has risen relative to the rest of the country, might suggest that there is a lack of supply responsiveness to demand pressures in Dublin. However, such a measure may not fully capture the potential demand as it only measures that demand which has been satisfied through the completion of housing units. The total

number of households nationally grew by 8.15 per cent between 1991 and 1996 while the growth in the number of households outpaced this significantly growing by 10.4 per cent in Dublin city and county and by 11 per cent within the GDA.

This pattern was somewhat reversed between 1996 and 2002 and while total numbers of households nationally grew by 14.7 per cent, the growth in Dublin city and county was 10.5 per cent but in the GDA a more respectable 14.2 per cent. There was substantially lower growth in the number of households within Dublin city which grew by only 4.9 per cent between 1996 and 2002 but this is likely to reflect available land constraints and must recognise that the construction of new units in Dublin is more likely to give rise to the demolition of existing units to facilitate their construction. This is despite significantly higher densities being built in Dublin city than was previously the case.

Turning to planning permissions, the number of units for which planning permission was granted in Dublin in 2001 was 15,248 or 19.4 per cent of the total for that year. This may be a further indicator of the ability of a particular region to be able to satisfy its ongoing demand. The 2001 figure is somewhat below the percentage of dwellings historically constructed in Dublin and may reflect the lack of additional available land for construction. Some 6,496 of these permissions were for houses and 8,752 were for apartments. The number of planning permissions for apartments has risen very substantially since 2002. This is documented by AIB in its Review of the Irish Housing Market where they note that the percentage of permission for apartments granted in the third quarter of 2003 was some 41 per cent of all permissions – up from less than a quarter of all permissions just a few years previously. (AIB, 2004: 8)

Trends in the Greater Dublin Area

It is in Dublin and the surrounding area where the market has been under the greatest pressure. House prices in Dublin in the second quarter of 2002 were 30 per cent above the national average (which includes Dublin). The price premium for Dublin fluctuates over time, tending to fall when economic growth is weak and rising at times of buoyant growth. The price premium fell in the early 1990s from 23 per cent in 1990 to 8 per cent in 1993. It then increased sharply over the period of buoyant growth from the mid-1990s, rising to 33 per cent in 2000. It has fallen slightly since then.

The increase in the price premium for Dublin over the period of buoyant growth could arise from both demand and supply factors. The pressures driving demand have been strongest in the Dublin area. The growth of per capita disposable income in Dublin city and county has been close to the national average (but from a higher base) and was above the national average in the Mid East (Meath, Kildare and Wicklow) region. Employment growth has been stronger than the national average in the Greater Dublin Area (GDA) of Dublin and the Mid East region. While the employment in the total economy grew by 43.4 per cent over the period 1994 to 2002, it grew by 49.2 per cent in the GDA region and by 45.2 per cent in Dublin. Employment growth figures are based on the location of

residence rather than the workplace so these figures understate the concentration of employment growth in Dublin and to some extent in the GDA, given the growth of commuting.

Turning to supply, the increase in housing output in Dublin and the GDA has been significantly slower than the national average. While national housing output grew by 156.2 per cent over the period 1994 to 2003, it increased by just 82.4 per cent in Dublin City and County and by 112.4 per cent in the GDA. The housing output share of Dublin City and County has fallen from 29.4 per cent of national completions in 1994 to around 21 per cent in 2003 while the share of the GDA fell from over 40 per cent in 1994 to just over 33 per cent in 2003. The GDA's share of the national population (39.2 per cent in 2002) significantly lags its share of housing completions. These figures somewhat understate the relative supply response in the Dublin area insofar as primary residences are concerned in that they include second homes, the output of which is lower in the Dublin area, as discussed above.

Table 4.10 Total Housing Output in Greater Dublin Area (1994 – 2003)

	Meath	Kildare	Wicklow	Mid East	Dublin City & County	Greater Dublin Area	National
1994	670	1419	781	2870	7891	10761	26863
1996	1318	1900	1168	4386	9446	13832	33725
2000	2303	2366	1484	6153	9405	15558	49812
2001	2533	2426	1914	6873	9605	16478	52602
2002	2924	3126	2002	8052	12623	20675	57965
2003	3687	2971	1800	8458	14394	22852	68819
% Increase:							
1994 to 2003	450.3	109.4	130.5	194.7	82.4	112.4	156.2
2000 to 2003	60.1	25.6	21.3	37.5	53.0	46.9	38.2

Source: Department of the Environment, Heritage and Local Government, *Housing Statistics Bulletin*, various issues.

The most recent years have seen stronger housing growth in Dublin and the GDA. Housing output in Dublin City and County increased from 9600 units in 2001 to around 14,400 units in 2003, an increase of almost 50 per cent and the share of Dublin City and County in national housing completions recovered from 18.3 per cent in 2001 to almost 21 per cent in 2003. Over the same period housing output in the GDA also grew strongly, increasing by 39 per cent.

It is worth examining the influence of the constituent local authorities on the declining share of housing completions in the GDA since the mid-1990s. There are two groups of local authorities in this region, Dublin City and County and the Mid East. In terms of these two groupings, it is Dublin City and County that has driven the decline in share, with this area's share of housing completions by over eight percentage points over the period 1994 to 2003. The share of the Mid East increased but by less than two percentage points, so did not compensate for the decline in Dublin. This resulted in much of the Dublin area's housing output spreading out into the outer counties of Leinster. Within the Mid East, the strongest housing output growth was in Meath whose output has grown more than fivefold since the mid-1990s while its share of national housing completions more than doubled.

Table 4.11 Total Housing Completions in Dublin City & County (1994 – 2003)

	Dun Laoghaire- Rathdown	Fingal	South Dublin	Dublin City	Dublin City & County	National
1994	1240	1510	1428	3713	7891	26863
1996	1053	2024	2244	4125	9446	33725
2000	860	4044	2139	2362	9405	49812
2001	1166	3602	1746	3091	9605	52602
2002	758	4308	3406	4124	12623	57965
2003	1871	7019	2134	3370	14394	68819
% Increase:						
1994 to 2003	50.9	364.8	49.4	-9.2	82.4	156.2
2000 to 2003	117.6	73.6	-0.2	42.7	53.0	38.2

Source: *Housing Statistics Bulletin, various issues.*

Within Dublin City and County, the dominant influence on the decline in the area's share of housing completions was Dublin City itself. In 1994, Dublin City accounted for almost 14 per cent of national housing completions while this had collapsed to under 5 per cent by 2003. Essentially there has been no increase in housing output in Dublin City over this period while national housing output has soared. The share of housing completions in Dun Laoghaire-Rathdown and South Dublin also fell over this period. The one local authority within Dublin City and County that has had significant housing output growth has been Fingal. Its output has increased from 1,500 units in 1994 to over 7,000 completions in 2003, a more than fourfold increase in output. Its share of national housing completions has almost doubled to over 10 per cent in 2003.

It was estimated by Bacon Mac Cabe and Murphy (1998) that the responsiveness of housing output to increased prices in Dublin (city and county) was significantly less than the national average. The long run supply elasticity for the country as a whole was estimated at 3 (indicating that a 1 per cent increase in prices led to an eventual increase in housing output of 3 per cent) while the corresponding figure for Dublin was 1.8 implying a 1.8 per cent increase in output arising from a 1 per cent increase in prices.

Analysis of the Supply Response in the Dublin Region

An important issue is why the supply response has been weaker in Dublin than in the country generally. To a certain extent one would expect a weaker supply response in the already urbanised parts of Dublin (Dublin City, Dun Laoghaire Rathdown and South Dublin). These areas have fairly limited supplies of serviced land. Much of the new development in Dublin City in particular is on brownfield sites and such development is more complex and time consuming than greenfield development. There are also a number of physical constraints on the urbanised area of Dublin, surrounded as it is by Dublin Bay, the mountains and the Phoenix Park.

The factors listed in the previous paragraph are more or less inherent constraints on the expansion of Dublin. In addition to these there are other possible factors that may have limited the supply response in Dublin. First, there are key planning influences that affect both the quantity and quality of development in Dublin. Until recently, the available serviced land in Dublin was used at very low densities, thus limiting the supply provided from the limited land available. In recent years planning policy has promoted higher density development and densities have been higher in recent developments. Another planning influence concerns land use decisions. Research by Williams and Shiels (2001) quantified the extent of open space as shown in the 1999 Dublin City Development Plan, 1999 in North Dublin City and the southern fringe of Fingal (i.e. the north side of Dublin City and immediate contiguous area in southern Fingal). Open space refers to land that was zoned either for public open space or institutional/community use⁷. They found that this area contains over 2,000 hectares of open space. This is very much higher than the actual zoned and serviced land that is designated for housing in Dublin City (119 hectares in 1999). For various reasons it would not be sensible to use all the 2,000 hectares land for housing. However, this does illustrate that there is a lot of land available: if it were considered desirable to develop this land at a high density, it would be possible to provide a lot more housing in and close to Dublin City. For example, if half of this land were developed at an average density of 100 units per hectare (half of the planned average density for Dublin City given in the serviced land statistics) it could provide 100,000 units, almost 30 times the 2003 output in Dublin City. This is before taking account of any open space on the south side of Dublin City. Thus, planning is a key influence on the supply response in Dublin. The issue of planning is examined in greater depth in Chapters 5 of the main report.

7. In quantifying open spaces, public parks were excluded in relation to north Dublin City but the information was not available to exclude parks for south Fingal.

A second possible influence on the relatively slow supply response in Dublin is the withholding or hoarding of land. There is a public perception that the withholding of land has been occurring, resulting in high house prices. In view of the remarkable expansions of housing output nationally, it is implausible that withholding or hoarding of land has limited national housing output. However, it is possible that the withholding of land has limited the supply response in particular places and is potentially an explanatory factor in the relatively weak supply response in the Dublin area. The remaining sections of this document are devoted to an examination of what is meant by the withholding or hoarding of land and the available evidence on withholding of land in the Dublin area. In the main report we set out reasons why we believe that the debate on zoning versus withholding does not shed much light on the land supply debate, which can better be understood in the content of the variable and uncertain supply of land discussed in Chapters 2, 3 and 7 of the main report. However, the next section sets out some of the consideration the Council gave to the issue of withholding before reaching its final determination contained in the main report.

Concept of Withholding

In examining evidence on possible withholding of land, our focus is on serviced land; we are not concerned about the withholding of land on which development cannot yet commence because the land is not yet serviced. It is highly desirable to provide for the servicing of land to meet expected needs some years in advance as this facilitates an ongoing pipeline of new building projects. Government policy in Ireland has supported investment to ensure that stocks of serviced land are in place.

Assuming there is a stock of serviced land available, the question arises how one identifies land that is considered to be withheld or hoarded in a way that is detrimental. Such withholding could be as a result of the reluctance of original landowning interests to sell, or speculative development interests holding back land. Developers will also hold back land given the requisite to hold sufficient landbanks to allow for uncertainty in demand and in the planning process. This is termed commercial hoarding below. The withholding or hoarding of land can be said to arise when the following two conditions are met: (i) in a situation in which there is strong demand for housing, there is a substantial volume of serviced land that is not being built upon or otherwise in the process of being prepared for development (for example, planning permission is being sought); and (ii) access to the available serviced land is the factor that is curtailing development rather than some other factor such as the capacity of the building industry or the fact that for some reason the land, despite being zoned and serviced, is not suitable for building.

This definition offers some guidance for identifying when withholding of land is occurring but does not offer a formula that can be applied to unambiguously identify withholding. Identifying whether withholding of land is a concern requires information on serviced land and its utilisation but is also a matter of judgement. It is possible to identify situations in which land is not being developed, but it is difficult to prove that in such a situation the reason for the absence of development is withholding as against some other explanation such as (non-land) supply constraints on the building industry.

Recent research for the Department of the Environment, Heritage and Local Government (Goodbody, 2004) identified the following types of land withholding or hoarding:

Commercial Hoarding: This refers to the practice of developers holding stocks of land to meet future building needs. This facilitates continuity in the operations of a developer. It reduces the reliance on the market for ready-to-go land; such land may not be available to the developer when required. Commercial hoarding can be viewed as a normal practice and can help support the supply of housing.

Speculative Hoarding: This refers to the purchase of land in anticipation of future price increases. If excessive, this can result in a bubble in land prices and can be a destabilizing influence on the housing market.

Oligopolistic Hoarding: This refers to the purchase of land in a particular market with the goal of exercising some control over the land and housing markets. A developer that controls a large share of a particular market could limit housing output and hence cause house prices to be higher than they would otherwise be.

The commercial hoarding of land would not normally be considered to be a problem. It is in fact desirable that developers have available to them stocks of what is an essential raw material in their operations. It is also desirable that local authorities should maintain land banks to ensure future social housing provision. There are situations, however, in which the holding of land banks could be considered excessive. If the planning system were slow and uncertain or the land market functioned poorly, then developers would need to hold more land than they would otherwise. It is also possible that developers hold land not only to avoid uncertainty in the land market, but also to make it more difficult for other developers to enter a particular market.

Speculative and oligopolistic withholding, were they to occur, may be of concern. Speculative and oligopolistic withholding can be distinguished on two dimensions: first, there is the issue of motive: speculative withholding is based on a desire to benefit from rising land prices while oligopolistic speculation is based on a desire to influence land and house prices. Second, there is the issue of concentration. Speculative withholding could be engaged in without concentration of land ownership but oligopolistic speculation can only occur if there is a concentration of landowners.

Speculative withholding of land is based on the expectation of rising land prices. The desire to buy land to avail of rising prices can result in prices being pushed above their fundamental value; i.e. a bubble may emerge. Bubbles are self-correcting in that eventually it is realised that the asset in question is overvalued and prices fall, possibly below the fundamental value.

Both speculative and oligopolistic withholding of serviced land have the potential to reduce the supply of housing below its optimum level. Consider the situation in which there is a large number of small landowners who own half-acre plots and are expecting land prices to rise. None of them are interested in development because they expect higher prices in the future. The effect to withhold land in this

way could be similar to a situation in which all of the land is owned by one landowner who decides to withhold land in order to force up land and house prices.

While both speculative and oligopolistic withholding have the potential to restrict housing output, it is oligopolistic withholding that is of most concern. Oligopolistic withholding means that one land owner or a small number of landowners have the power to strongly influence land or house prices.

There are also situations in which the withholding of land from development (in addition to normal commercial land banks) could be considered to play a socially useful function. The potential benefit of withholding land from development today is that this means that there is a larger supply of land available for development in the future. In a situation in which the density of development increases, less development now could mean more higher density development at a later stage. On balance, however, in the market situation in Dublin in recent years, characterised as it has been by very strong demand for housing and a spreading out of this demand in a way that significantly increases infrastructure and service costs, it would not be desirable if the hoarding of zoned and serviced land were slowing down development.

Options

Option contracts are another influence on the supply of land. Such contracts involve a developer paying a premium to a farmer in exchange for the right to buy the land at a future date at less than its full market price. Like commercial hoarding, such contracts may help to improve the operation of the land and housing markets by reducing uncertainty for developers. This point was recognised by Barker in her review of the UK which recognised that option contracts could help enhance supply. In some situations, however, they may have the effect of limiting competition in the housing market. The Council supports the recommendation of the All-Party Oireachtas Committee on the Constitution on Private Property that there should be a requirement to publicly reveal information on options to improve the transparency of the property market.

Land Supply in Dublin

The most recent information on the availability of serviced and zoned land⁸ was presented above, however the table below looks in greater detail at its availability in and around Dublin.

8. References to serviced and zoned land in this document should be read as references to land that is both serviced and zoned for housing. Hence serviced land that is zoned for some other use such as open space is not included. Serviced land that is not zoned for housing is an issue of planning rather than withholding.

Table 4.12 Supply of Serviced Land in Greater Dublin Area, 2003

	Hectares	Density	Potential Units	Output (2003)	Implied Land Bank (Years)
Dun Laoghaire-Rathdown	225	54.2	12191	1871	6.5
Fingal	1487	30.0	44590	7019	6.4
South Dublin	724	51.4	37246	2134	17.5
Dublin City	119	203.0	24160	3370	7.2
Dublin City & County	2555	46.2	118187	14394	8.2
Meath	168	20.0	3360	3687	0.9
Kildare	543	20.6	11209	2971	3.8
Wicklow	256	24.8	6341	1800	3.4
Greater Dublin Area	3522	39.5	139097	22852	6.1
National Total	12819	28.8	368705	68819	5.4

Source: Housing Statistics Bulletin, September Quarter 2003 and the Department of the Environment, Heritage & Local Government.

The supply of serviced land in Dublin City and County also seems fairly high, with an estimated potential output of 118,000 units or over eight years of supply at the 2002 output levels. In the Greater Dublin Area (GDA), the available land supply represented over six years of the output produced in 2003. The supply of serviced land in Dublin is a reflection of considerable investment in the servicing of land in recent years including under the Serviced Land Initiative which is discussed below. The supply potential of the available land has also been boosted by the policy of promoting higher density. The very high land bank available in South Dublin is a very recent phenomenon: in 2002 the available land in South Dublin was 7.5 times that year's output. The major increase in available land in South Dublin includes that made available through the Strategic Development Zone in Adamstown. The large land bank that now exists here implies considerable potential to expand output in this area.

The situation in Meath is unusual in that the supply of serviced land has almost completely been used. The potential output from the available serviced land in 2003 in Meath was less than one year's housing output⁹.

There would seem to be a reasonably satisfactory supply of serviced land in Dublin in 2003. The question arises as to whether all of this land is available for development or whether there is some part of it that could be viewed as being withheld from development. The ratio of potential output from serviced land to actual output in Dublin City and County in 2003 (8.2) was considerably higher

9. Many centres in Meath are at capacity either in terms of water supply or waste water treatment facilities. In response a number of major infrastructural projects have been initiated, many of which are under construction and some are nearing completion. In the short term Meath County Council would permit development based on temporary facilities, pending permanent facilities coming on stream. Such land is not included in the figures for serviced land quoted in the text.

than the national average (5.4). This implies that in 2003 the supply of serviced land was not the binding constraint on output. This raises the question as to whether the withholding of land from development was a factor in keeping supply below a level of output that would in theory have been possible given the availability of serviced land. Before drawing this conclusion one needs to examine the trend in the supply of serviced land. If the supply capacity of serviced land has increased significantly in recent years (whether through more servicing of land or through allowing higher densities), then it could be the case that output in Dublin is below potential because output has not fully adjusted to improved supply of serviced land.

The trend in serviced land is shown in Table 4.13 below. It can be seen that the supply of serviced land in Dublin City and County has indeed increased significantly in recent years; in terms of hectares of land, the supply has increased by 140 per cent from 1999 to 2003 while given higher densities, the potential capacity of this land has increased by 185 per cent. In 1999, available land supply was just over four times housing output in Dublin City and County, implying that at that stage there was quite an intensive utilisation of the available land. Since then the supply of serviced land has grown by more than housing output so that the rate of utilisation of land has fallen. Housing output in Dublin would still not seem to fully reflect what is possible given the available serviced land. It is possible that this is a reflection of the time required to increase the capacity of the industry in Dublin and the demands of non-housing construction in the Dublin area. However, another possible explanation is that the level of output in Dublin was held back by owners of serviced land not making it available for development.

Table 4.13 Evolution of Land Supply in Dublin City & County

	Hectares	Density	Potential Units	Output (2003)	Implied Land Bank (Years)
1999	1069	38.7	41,461	10,035	4.1
2000	1828	36.7	67,017	9,405	7.1
2001	2173	42.1	91,390	9,605	9.5
2002	2257	42.8	96,700	12,623	7.7
2003	2552	46.3	118,187	14,394	8.2

Source *Housing Statistics Bulletin, various issues.*

1999 Figures from Press Release issued by the Department of the Environment, Heritage and Local Government, 6 June 2000.

Case Studies of Land Utilisation in Dublin

To seek to answer the question as to whether the withholding of land has been a significant influence on housing output in Dublin it is worth looking in more detail at the patterns of utilisation of land. Research by the Department of the Environment, Heritage, and Local Government has examined in detail the patterns of land utilisation in two local authority areas in Dublin, Dun Laoghaire-Rathdown and Fingal; this research is drawn upon in this section.

Dun Laoghaire-Rathdown

Dun Laoghaire-Rathdown is a highly urbanised area. Its population in 2002 was 191,389, up just 0.7 per cent from 1996. Housing output has been low in recent years and this has constrained the growth of this area's population. Since 1999 the total supply of zoned land has been fairly stable in the region of 300 hectares. In 2003 the supply of serviced land was 225 hectares, representing less than 9 per cent of the available serviced land in Dublin City and County.

The limited supply of serviced land is the main constraint on the supply of housing in this local authority. However, the question still arises as to whether all of the limited supply of serviced land is being made available in a timely way for development. In the research for the Department of the Environment, Heritage and Local Government, a distinction is made between land that is active and inactive. Active land covers land that is any of the following stage: under construction, awaiting commencement of construction after granting of planning permission, in the planning system and subject to pre-planning discussions. Other land is considered inactive. Table 4.14 shows how the serviced land in Dun Laoghaire-Rathdown has been used in the period since 1999. Over this period land classified as active has been in the range of 64 to 70 per cent of active land. Of the land that is serviced, some will recently have become ready for development, given the increase in the supply of serviced land in recent years. A better measure of how much land is being used may be to compare the current year's active land to the land that was ready for use one year ago¹⁰. This was estimated as land capable of yielding 8762 units in 2002 so that on this basis 94 per cent of this land was being 'actively' used in 2003. This implies very limited scope for any withholding of land to be now delaying development.

¹⁰ This was estimated as the projected yield from the supply of serviced land in 2002 less the number of completions in the period June 2002 to June 2003.

Table 4.14 Status of Serviced Land in Dun-Laoghaire Rathdown

(A) Measured by Number of Potential Housing Units, June 1999 to June 2003

	1999	2000	2001	2002	2003
Under construction	1381	780	589	1645	3063
Awaiting construction commencement	496	406	1705	2748	1455
In the planning system	1414	956	3247	1497	2133
In Pre-planning		2129	852	870	1600
Total active		4271	6393	6760	8251
Total inactive		2401	2466	3057	3494
Total Serviced Land	5291	6672	8859	9817	11745

(B) Measured by Percentage of Potential Housing Units, June 1999 to June 2003

	1999	2000	2001	2002	2003
Under construction	26.1	11.7	6.6	16.8	26.1
Awaiting construction commencement	9.4	6.1	19.2	28.0	12.4
In the planning system	26.7	14.3	36.7	15.2	18.2
In Pre-planning		31.9	9.6	8.9	13.6
Total active		64.0	72.2	68.9	70.3
Total inactive		36.0	27.8	31.1	29.7
Total Serviced Land	100.0	100.0	100.0	100.0	100.0

Source: Department of the Environment, Heritage and Local Government.

In some earlier years (2000 and 2001) the share of land under construction was low 11.7 per cent in 2000 and 6.6 per cent in 2001. The question arises as to whether land was being under-utilised at that stage. In 2000 the largest category of land use was in pre-planning (31.9 per cent) while in 2001 the largest share of land use was in the planning system (36.7 per cent).

A significant proportion of the undeveloped land in Dun Laoghaire-Rathdown is in one area and to test for the presence of hoarding of land in a particular area, the research for the Department of the Environment, Heritage and Local Government examined both the ownership and current use of this land. In June 2003 there were 98 hectares of zoned and serviced land in this areas and the potential yield from this land at 43 units per hectare was 4,200 units. Completions in 2003 were just 327 units, so that the potential yield was over 12 times annual completions.

Five builder developers were identified as active in this area. One of them who owned up to 50 per cent of the land had entered pre-planning discussions on a number of occasions but had not engaged in any construction of significance. Regardless of whether or not any market manipulation is intended, it is certainly possible that the decision not to develop the land to date has meant that the level of output in this area is lower than it would otherwise be. Goodbody's believe that, whether under the principles of competition, or just on the ability of one individual entity to have sufficient capacity to build out a significant land-bank in a suitable timeframe that a case can be made for policy intervention in such an instance. The Council discusses measures which help bring potential development land to market in a timely manner in Chapter 7 of the main report.

Fingal

Fingal is a diverse area: the south of Fingal is a continuation of the built-up area of Dublin City and includes places such as Blanchardstown and Sutton. Much of Fingal is rural and there are several small and large settlements across the county (for example, Balbriggan, Lusk). In 2002 its population was 196,413, an increase of over 17 per cent since 1996. It is a critical area from the point of view of increasing housing supply in the Dublin area since in 2003 it contained almost 60 per cent of the zoned and serviced land supply in Dublin City and County (1487 hectares). In addition to this serviced land there is an additional 317 hectares of zoned land that was not yet serviced in 2003.

The supply of serviced land in Fingal has grown strongly in the period since 1999, with an increase of almost 130 per cent. There was also a small increase in the projected densities from using this land from 28.4 units per hectare in 1999 to 30 units per hectare in 2003 so the potential housing units from this land have increased by 141 per cent to over 44,000 units in 2003. The supply of serviced land that was available in 1999 was not being used very intensively with just 10.5 per cent of this land under construction. With the increase in the supply of serviced land in 2000, the share of land under construction in 2000 fell to 3.5 per cent. Information across all of the categories of active land is only available for 2001 and 2002. In 2001 almost 46 per cent of the available land in Fingal was inactive. In 2002, around 36 per cent of land was inactive; this was still quite a high percentage of inactive land, particularly given that the actual supply of land available one year earlier was higher than this¹¹.

¹¹ The supply of serviced land measured in potential housing units fell from 42,452 units in 2001 to 35,556 units in 2002; it had increased sharply from 18,382 units in 1999.

Table 4.15 Status of Serviced Land in Fingal

(A) Measured by Number of Potential Housing Units, June 1999 to June 2002

	1999	2000	2001	2002
Under construction	1927	1206	9150	10258
Awaiting construction commencement	4322	7504	4018	5509
In the planning system		5371	6281	1220
In Pre-planning			3655	5814
Total active			23104	22801
Total inactive			19348	12755
Total Serviced Land	18382	34621	42452	35556

(B) Measured by Percentage of Potential Housing Units, June 1999 to June 2002

	1999	2000	2001	2002
Under construction	10.5	3.5	21.6	28.9
Awaiting construction commencement	23.5	21.7	9.5	15.5
In the planning system		15.5	14.8	3.4
In Pre-planning			8.6	16.4
Total active			54.4	64.1
Total inactive			45.6	35.9
Total Serviced Land			100.0	100.0

Source: Department of the Environment, Heritage and Local Government.

The fairly low utilisation of land in Fingal at a time when there was very strong demand for housing in the Dublin area and a spreading of this demand across the counties of South Leinster raises the possibility that the withholding of land was a factor that constrained housing output in Fingal. The other possible explanation is that output was constrained by the capacity of the building industry; i.e. it took some time to expand the industry's capacity to respond to the strong demand. The strong expansion of output that has in fact occurred is consistent with this interpretation. Housing output in Fingal has expanded very rapidly in recent years with an increase from just over 1500 units in 1994 to over 7,000 units in 2003. Output more than doubled in the two years from 2001 to 2003 while the increase in 2003 alone was 63 per cent. Certainly in the most recent years the withholding of land would not seem to be the constraint on housing output. It is possible however that the withholding of land in earlier years was the factor that constrained development.

The research for the Department of the Environment, Heritage and Local Government examined data on the ownership of sites for which planning permission had been granted and identified at least 15 significant builder developers in the area. This suggests a significant level of competition in the market.

Another study of the ownership of zoned land in Fingal was undertaken by Casey (2003). Casey's analysis was based on the land zoned in the 1999 Development Plan. From a sample of 30 large folios in the Land Registry and a search in the Companies Office, Casey identified the ownership of 605 hectares or 40 per cent of the zoned land in Fingal. He shows that this land is owned by 19 parties. Based on his own knowledge of other substantial landownership by developers in conjunction with this evidence, he estimates that 50 per cent of the land in Fingal is controlled by 25 individuals/organisations. This indicates a degree of concentration in ownership although is not a degree of concentration that would normally be considered as excessive. Indeed many markets would be considered competitive with substantially fewer than 25 competitors.

The available evidence on use and ownership of zoned land does not suggest that collusive hoarding or withholding of land is occurring. However, the relatively low rate of utilisation of serviced and zoned land in Fingal until very recently notwithstanding very strong demand for housing could be due to the withholding of land for speculative purposes. It could also be explained by the time required to expand the capacity of the industry or both. The research prepared for the Department of the Environment, Heritage and Local Government concluded that it is not possible to be definite between these explanations.

NESC Consultations

As part of the research for this study, the Secretariat held meetings with the county managers and other senior officials in several of the local authorities in the Dublin area. None of the officials consulted were of the view that the withholding of land was a significant constraint on the supply of housing in the Dublin area. In relation to the concentration of ownership, it was pointed out that a relatively small number of landowners in an area can facilitate faster development than in a situation in which there are several smaller landlords whose plans need to be co-ordinated to achieve integrated development.

The Secretariat also held consultations with builders and some of the builders consulted were of the view that there was some withholding of land suitable for building by non-building interests.

Other Research on Land Supply in Dublin

The issue of the supply of development land in Dublin was examined in research by Williams *et al.* (2003) on housing supply and urban development policies in the GDA prepared for the Society of Chartered Surveyors. This study reaches the following conclusion on development land in Dublin:

Land banks are an asset in short supply and whose availability is highly restricted by the constraints of the planning and policy-making process. This ensures that 'ready-to-go' development land is at such a premium in the current market that any benefits from its disposal are outweighed by the benefit of continued holding. Private owners, public agencies and private institutional holders are reluctant to release lands onto the market for similar economic reasons. This withholding occurs despite the current demand for sites by existing developers and potential entrants to the development market. No direct evidence was found of the existence of an oligopoly of development interests intentionally withholding land in the Dublin market. However, the major supply constraints create an internalised or contrived market in which the existing holders of land have no economic incentive to dispose of surplus land due to the absence of alternative supply options. Williams *et al.*, 2003: 40

This conclusion of Williams *et al.* seems to view the shortage of development land in Dublin as mainly an issue of planning and policy-making but nonetheless implies that the withholding of some of the limited supply of development land has been a constraint on development. They do not however find any evidence of an oligopoly of interests withholding land.

Williams *et al.* also reported that 'over the course of the study it was evident that a considerable number of Irish and UK building interests were actively seeking development opportunities on 'ready-to-go' sites within the Dublin market success' (Williams *et al.*, 2003: 43). Ready-to-go sites in Dublin could be scarce because of the inherent scarcity of development land in Dublin. However, it was noted above that the relatively weak supply response in Dublin could *not* solely be explained by the actual supply of development land in Dublin: higher output would seem to have been feasible given the supply of development land in Dublin. This does not imply that withholding is the cause of lower output as the capacity of the building industry may not have been able to produce more output even if more of the serviced land had been made available for development. However, the finding by Williams *et al.* that development interests have been seeking 'ready-to-go' sites in Dublin without success suggests that the building industry may have been able to produce higher output in Dublin if it had better access to the available serviced land. Alternatively it is also feasible that had other developers managed to secure access to serviced land in Dublin that they would simply have attracted skilled labour from other developers without much affect on housing output.

Summary on Regional Balance in and around Dublin

The increase in the supply of housing since the mid-1990s in Dublin City and County as well as the wider GDA has been significantly weaker than the supply response nationally. This has occurred despite strong demand for housing in the Dublin area and the premium of Dublin to national house prices has widened significantly since the mid-1990s. The narrowly defined Dublin City area has been a key influence on the relatively weak supply response in Dublin: housing output in Dublin City has not increased since the mid-1990s so that its share of national housing completions has fallen from almost 14 per cent in 1994 to less than 5 per cent in 2003. There has been some recovery in Dublin's share of national housing output since 2000 although the share of housing output in both Dublin City and County and the GDA continue to be well below their respective shares of population. Even the most recent 2003 data show only a modest or no increase in output in the urbanised local authority areas of Dublin (Dublin City, Dun Laoghaire-Rathdown and South Dublin).

The relatively weak supply response in Dublin has led to a growth of long distance commuting well beyond the traditional commuter counties of Meath, Kildare and Wicklow and this is detailed above. There are several possible explanations of the relatively weak supply response in Dublin:

- ◆ New developments on brownfield sites in urban areas are more complex and slower than greenfield developments.
- ◆ There are some more-or-less given constraints on the development of the core urbanised area of Dublin: Dublin Bay, the mountains and Phoenix Park.
- ◆ The use of land at low density reduced the supply response in Dublin in the past; the adoption of higher densities would have increased output in recent years.
- ◆ Planning policy such as the zoning of a substantial volume of land for open space in North Dublin City and the southern fringe of Fingal is another influence on output.
- ◆ The withholding of serviced land from development could be reducing output in Dublin.
- ◆ A statistical factor is that second homes are a non-trivial part of the increase in national housing supply and such homes are less common in Dublin.

The evidence on whether the withholding of the supply of serviced and zoned land from development has been a contributory factor to the relatively slow supply response in Dublin has been examined in this section. Information on the supply of serviced land has been systematically gathered by the Department of the Environment, Heritage and Local Government since 1999. At the end of 1999 the available serviced land in Dublin was being used quite intensively and the supply of serviced land at that stage was just over four times that year's output in Dublin City and County. Since then the supply of serviced land in Dublin has increased significantly and would be capable of supporting a higher level of housing output.

An in-depth analysis of the pattern of land use in Dun Laoghaire-Rathdown and Fingal was presented above, using research evidence prepared for the Department of the Environment, Heritage and Local Government. In Dun Laoghaire-Rathdown the limited supply of serviced land would generally seem to be used quite intensively, although a detailed examination of development land in one particular area revealed that the withholding of land could be restricting the level of output in this particular area.

In Fingal housing output has been below what seem to be its full potential level in some recent years, given the supply of serviced land. It is possible that the withholding of land for speculative reasons has constrained output in Fingal but it could also be due to supply constraints in the building industry. In the most recent years there has been strong output growth in Fingal with output in 2003 alone increasing by 63 per cent so that the withholding of land is probably not now a factor restricting output.

The evidence does not provide an unambiguous answer as to whether the withholding of land was a significant influence on the relatively weaker supply response in Dublin compared to nationally. It is clear that in the area of Dublin with the bulk of serviced land (Fingal) output is now showing rapid growth.

4.5 Public Policy and the Supply of Housing, 1973-2003

This section examines the impact on housing supply of a variety of fiscal measures and the role of recent planning policy initiatives in delivering more efficient use of scarce land resources and a more co-ordinated overall planning approach.

General supply subsidies

In 1998, the Finance Act (in response to the first Bacon Report) reduced the Capital Gains Tax on sales of development land for housing from 40 per cent to 20 per cent, in a bid to unlock land banks more quickly. Initially, this was for a 4-year period only and the intention was announced to raise the rate to 60 per cent in 2002. The period for which the 20 per cent rate would apply was subsequently extended.

The Finance Act, 2001, introduced the *Rent a Room Relief Scheme* by which any householder renting out a room or rooms in his or her sole or main residence did not have to pay tax on the rental income up to a specified limit (€7,620 in the tax year 2003). The impact of this measure cannot yet be quantified but it can be expected not only to have increased the supply of rental accommodation for some quite specific groups (e.g., students, short-term visitors from abroad) but to have channelled additional funds into the demand for private housing as larger mortgages became feasible on the strength of the income flow that an extra bedroom could generate. The data in the recent Quarterly National Household Survey from the Central Statistics Office, however, suggests that only a limited number of households (less than 1,000 nationally) include those who are renting a room.

Targeted supply subsidies

What is known as “*Section 23*” tax relief was first introduced to the housing market by the Finance Act of 1981. It allowed investors or owner occupiers who built, renovated or converted houses or apartments of specified size and standard and offered them for rent for 10 years to offset their capital expenditure against their rental income. The relief initially operated for a trial period of 3 years but in 1986 it was refocused as part of the new *Urban Renewal Act* and, subsequently, additions to the list of urban areas and towns that are eligible, and time extensions, have seen the supply of new housing and apartments within specified areas boosted by Section 23 incentives. Some rural areas were included in 1998, and student accommodation in 1999. The Department for the Environment and Local Government estimated that Section 23 incentives extended to 1,785 sites in 5 cities and 138 towns by the end of 2001 and it anticipated that some 6000 units would result from the initiative over the lifetime of the schemes (DELG press release, 5 December 2001).

In 1984, the *Capital Assistance Scheme* provided capital grants to housing associations meeting special needs (such as providing accommodation suited to older people, homeless persons, people with disabilities, the victims of family violence or desertion, lone parents) was introduced thus boosting the supply of this category of dwellings.

The 1991 *Low Cost Housing Sites Scheme* empowered local authorities to provide housing sites at nominal prices to specified individuals or groups (e.g., those on waiting lists, those surrendering a LA dwelling or one rented from a housing association or co-operative, etc.) who would have new homes built for themselves on them.

Private rental accommodation

Policy has long acknowledged an important place for private rented accommodation in the national housing system. Minimally, it has sought to avoid a level or type of regulation that would deter investment in the sector and, since 1981, experimented with tax reliefs to promote investment in it (“*Section 23*”). Since 1992, these tax incentives have been firmly linked to the objective of renewing neighbourhoods, suggesting that public support for the sector was considered to need the additional rationale that *where* private landlords brought accommodation on stream had social value.

Notwithstanding this, following in particular the first and third Bacon reports in 1998 and 2000 respectively, there was a perception that investment in the sector had begun to compete for new housing with aspiring home-owners. On the basis that the latter was deemed to deserve priority support, new measures were introduced to increase their access to new housing stock. The perceived subsequent problems for the rental sector and the publication of the 2000 Report of the Commission on the Private Rented Residential Sector helped to reverse these measures. The 2001 Finance Act restored a measure of public support to investment in private rented accommodation (mortgage interest payments deductible from rental income in computing tax liability) independently of where it occurs. On the stamp duty front, currently, only purchases of second

hand homes for the purpose of renting attracts unfavourable tax treatment (stamp duty of 9 per cent) whereas, otherwise, investors purchasing new homes are treated the same as existing owner-occupiers entering the market.

Several developments over the recent past buttressed this new willingness to regard investors in private rented accommodation as requiring public support. There is a new confidence that the registration of landlords, regulations on minimum standards and of landlord-tenant contracts, and the more vigorous monitoring and enforcement of standards and regulations, will yet prove effective in reducing the number of bad landlords and increase the proportion who are responsible, tax compliant and in the sector for the long-term. A further development underpinning greater policy support for the private landlord is the view that availability of good quality private accommodation supports the efficient functioning for the labour market. It is believed to facilitate mobility and the career aspirations of younger knowledge workers in particular.

Current Planning Policy Initiatives

There are a number of recent planning policy initiatives which combine the desire to achieve higher densities with efforts to improve the supply of serviced land and to streamline the planning process. These include the hierarchy of plans associated with co-ordinated spatial development:

- ◆ The National Spatial Strategy;
- ◆ Regional Planning Guidelines;
- ◆ Local Authority Development Plans;
- ◆ Integrated Framework Area Plans;
- ◆ Local Level Housing Strategies;

And a number of instruments to help bring serviced land to market in a cost effective and timely manner:

- ◆ Strategic Development Zones;
- ◆ Serviced Land Initiative;
- ◆ Development Levy Schemes;

4.6 Conclusion

As with the story of housing demand over recent decades, the quantity of housing supplied has reflected the expansion of the Irish economy over the period. The next chapter considers the joint effect of demand and supply on house prices and affordability, which in turn provides a basis for which to interpret our recent experience.